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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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In the Matter of End User Common Line Charges	CC Docket No. 95-72

NYNEX REPLY COMMENTS

The NYNEX Telephone Companies[1] ("NTCs") hereby file their Reply to the Comments that were filed in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above-referenced proceeding.

There is a broad consensus among the commenters that the Commission should amend its rules to allow the local exchange carriers ("LECs") to apply a single end user common line ("EUCL") charge for each service that they provide over derived-channel facilities, such as Basic Rate Interface ("BRI") integrated services digital network ("ISDN"), Primary Rate Interface ("PRI") ISDN, and FlexPath service.[2] Although the commenters propose several formulations for a proposed rule (one EUCL charge per service, per service interface, or per service

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1 The NYNEX Telephone Companies are New York Telephone Company and New England Telephone and Telegraph Company.

2 *See, e.g.*, GTE Comments at p. 9; USTA Comments at pp. 2, 6-14; MCI Comments at p. 3; Pacific Bell and Nevada Bell Comments at p. 4; Sprint Comments at p. 4; Ameritech Comments at p. 2; Southwestern Bell Comments at p. 3; America Online, et al., Comments at p. 6; Information Technology Industry Council Comments at p. 7; Time Warner Comments at p. 4.

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facility), they seek the same goal -- to apply one EUCL charge for each local exchange service that utilizes local loop facilities. The commenters agree that the Commission's current interpretation of its rules, which requires the LECs to apply up to two EUCL charges for BRI ISDN service and up to 24 for PRI ISDN and FlexPath service, is unrelated to the costs of these services that are assigned to the interstate common line category. Consequently, this rule interpretation needlessly discourages demand for these services, and it thereby impedes development of access to the information superhighway.[3]

Despite this general consensus, some of the commenters propose that the Commission continue to require the LECs to apply multiple EUCL charges to derived-channel services. AT&T proposes one EUCL charge for BRI ISDN service but up to 24 EUCL charges for PRI ISDN service.[4] US West proposes that EUCL charges be based on the ratio of the average nontraffic sensitive ("NTS") costs of providing multi-channel services (including line or trunk cards) to the average NTS costs of single channel services.[5] Under this approach, US West estimates that 11 EUCL charges would be applied to services such as PRI

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[3] *See, e.g.*, America Online, et al., Comments at pp. 6-12.
[4] *See* AT&T Comments at p. 9. This position is somewhat self-serving, as AT&T offers services that are very similar to, and directly competitive with, the LECs' PRI ISDN services. AT&T offers a PRI interface through its Accunet T1.5 direct connections to a variety of AT&T services, including Megacom, Megacom 800, and Software Defined Network. *See* AT&T Tariff FCC No. 9, Section 5.2.4.F. Therefore, to the extent the LECs are required to overprice their PRI ISDN services by applying up to 24 EUCL charges, it only serves to enhance AT&T's position in competing with the LECs.
[5] *See* US West Comments at p. 4.

ISDN.[6] Bell Atlantic argues that the LECs should apply a single EUCL charge per service, but should also apply a surcharge of up to 50 cents for each additional channel that is activated over a derived-channel facility.[7] Bell Atlantic estimates that this would produce a EUCL charge of up to $17.00 per month for PRI ISDN service to a business customer.

These proposals are based on a false premise. The commenters assume that the interstate common line costs of derived-channel services are greater than the interstate common line costs of single-channel services. However, as NYNEX demonstrated in its Comments, this assumption is incorrect. In the case of BRI ISDN service, which is provided over a single copper loop, the interstate cost allocation is the same as for ordinary local exchange service.[8] In the case of PRI ISDN service, which is provided over T-1 facilities, loop-related costs are not allocated to the interstate common line category.[9] Therefore, there is no basis for the assumption that multiple EUCL charges are required to recover the interstate

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[6] US West estimates that the ratio of the NTS costs of multi-channel services provided over T-1 loop facilities to the NTS costs of service provided over single-channel copper loops, such as local exchange services or BRI ISDN services, is 11 to 1. *See id.* at p. 4 & Appendix A. Thus, US West's approach would result in 11 EUCL charges for a service, such as PRI ISDN, that is provided over T-1 loop facilities.

[7] *See* Bell Atlantic Comments at pp. 4-5.

[8] Local exchange services that are provided over a single copper loop are classified as exchange line cable and wire facility ("C&WF") category 1. The costs of this category are allocated to the message category based on the average cost per working loop. 25% of the costs in this category are then assigned to the interstate jurisdiction using the subscriber plant factor. *See* NYNEX Comments at p. 8.

[9] *See id.* at pp. 10-11.

portion of the costs of services, such as ISDN, that are provided over derived-channel facilities.

Some of the commenters believe that applying only one EUCL charge per service for derived-channel services would place upward pressure on the Carrier Common Line ("CCL") charge due to the way that CCL rates are set under price caps.[10] This is based on a misunderstanding of the common line formula. While they are correct in observing that a reduction in EUCL revenues generally causes an increase in the CCL charge if all other factors are held constant, they fail to recognize that a reduction in the number of "lines" to which the LECs apply EUCL charges causes an increase in the "g" factor.[11] This increase in the "g" factor causes a net <u>reduction</u> in the CCL charge. Thus, applying only one EUCL charge per ISDN service reduces <u>both</u> EUCL revenues <u>and</u> the CCL charge. This is shown in the table below, which estimates the effect on NYNEX's 1995 Annual

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[10] *See, e.g.,* MCI Comments at p. 4; Sprint Comments at p. 4; AT&T Comments at p. 5; *but see* BellSouth Comments at p. 6 (for price cap LECs, a reduction in EUCL revenues does not cause an increase in the maximum CCL charge).

[11] The "g" factor is defined as the ratio of the minutes of use per access line during the base period to the minutes of use per access line during the previous base period, minus one. *See* 47 C.F.R. Section 61.46(d). The LECs use the number of EUCL charges from their billing system to derive the number of access lines. If a LEC reduced the number of EUCL charges for services such as ISDN, the growth rate in access lines between periods would decline, but the growth rate in minutes of use would remain the same. Therefore, the "g" factor would increase for services, such as ISDN, that are growing from one period to the next.

Access Tariff Filing rates of applying only one EUCL charge per PRI ISDN service:[12]

	[illegible]	[illegible]	[illegible]	[illegible]
Baseline 1995 Tariff Filing	$1,210.2	3.8363%	$818.0	0.007740
1995 Filing With One EUCL per PRI ISDN	$1,209.4	3.8737%	$817.2	0.007739

This is consistent with the price-out that US West provided in its Comments.[13] US West currently applies one EUCL charge per service for PRI and BRI ISDN service. The appendix to US West's Comments shows that if it increased the number of EUCL charges to 23 for PRI ISDN service and to 2 for BRI ISDN service, the "g" factor would go down and the maximum CCL rate would go up. Thus, applying one EUCL charge per ISDN service minimizes the CCL charge.[14]

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[12] NYNEX currently applies up to 24 EUCL charges per PRI ISDN service in compliance with the Common Carrier Bureau's order in *NYNEX Telephone Companies, Revisions to Tariff FCC No. 1, Transmittal No. 116,* Memorandum Opinion and Order, 7 FCC Rcd 7938 (Common Carrier Bureau 1992).

[13] *See* US West Comments at Appendix B.

[14] For this reason, the Commission does not have to increase the EUCL charge to prevent an increase in the CCL charge, as proposed by some of the commenters. *See, e.g.,* AT&T Comments at p. 8; Cincinnati Bell Comments at pp. 3-4. However, NYNEX agrees with the commenters to the extent that they argue that the Commission should shift recovery of common line costs from the CCL charge to the EUCL charge. Recovery of NTS common line costs through the usage-sensitive CCL charge continues to create an uneconomic incentive for access customers to bypass the switched network.

There is no policy reason for the Commission to continue requiring the LECs to apply EUCL charges per channel. A rule that would apply one EUCL charge per service interface would be more consistent with the loop-related costs that are assigned to the interstate common line category. It would promote demand for services provided over wideband facilities, and it would minimize the CCL charge. Such a rule would be easy to administer, and it would reflect the service provided to the customer, rather than the network architecture that a LEC may use to serve a particular customer. It would encourage the LECs to introduce advanced technologies into the local loop when such technologies would reduce costs and would provide additional capabilities to end users and access customers. Everyone would benefit -- consumers, the LECs, and the interexchange carriers.

For these reasons, the Commission should adopt a rule that would apply one EUCL charge per service interface, as advocated by NYNEX and by other parties.

Respectfully submitted,

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Dated: July 14, 1995

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I hereby certify that copies of this pleading were mailed this date, first class postage prepaid, upon the persons listed on the attached service list.

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